Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

CONFIDENTIAL

PAGE 01 ABU DH 01663 271128Z

50
ACTION EB-07

INFO OCT-01 AF-04 ARA-06 EUR-12 EA-06 NEA-06 ISO-00 AEC-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00

FPC-01 H-01 INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-01 IO-10 /111 W
---------- 000695
R 271015Z NOV 74
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 2289
INFO AMEMBASSY ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY CARACAS
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY LAGOS
AMEMBASSY MUSCAT
USMISSION OECD PARIS
AMEMBASSY QUITO

C O N F I D E N T I A L ABU DHABI 1663

BEIRUT FOR BAGHDAD; KUWAIT ALSO FOR DOHA.

E.O. 11652: GDS
TAGS: ENRG, TC
SUBJECT: UAE MINISTER OF PETROLEUM COMMENTS ON OIL SITUATION

1. I MET WITH MINISTER OF PETROLEUM OTAIBA FOR HOUR AND HALF
NOV 28 AND FOUND HIM IN GOOD-HUMORED BUT HARRASSED FRAOME OF MIND.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 01663 271128Z

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

2. HE SAID EVERYONE WAS ANGRY WITH HIM. PRODUCING COMPANIES
SAW ABU DHABI CONFERENCE DECISION AS FINAL STAB IN BACK -- HE
DID NOT, OF COURSE, IMAGINE THEY WOULD BE PLEASED. CONSUMING
STATES DID NOT THINK "PRICE REDUCTION" WAS ENOUGH. ON OTHER SIDE
HE WAS GETTING FLAK FROM ARAB RADICALS SUCH AS IRAQ WHO WERE ADAMAN-
TLY OPPOSED TO PRICE REDUCTION. ON TOP OF ALL THIS, HE WAS BEING
CALLED EVERY NIGHT BY SHAKH ZAYID WHO WANTED TO KNOW WHY HE AND
YAMANI HAD CREATED ALL THIS RUCKUS. (OTAIBA DID NOT MENTION IT BUT
WE KNOW FROM INDEPENDENT SOURCES THAT HE ALSO GOT FRIGID
RECEPTION FROM SHAIKH RASHID OF DUBAI AND SHAIKH SULTAN OF SHARJAH
WHEN HE MADE TRIPS TO THESE CITIES TO "EXPLAIN" ABU DHABI RESULTS.

3. I SAID I WAS SORRY BUT I COULD NOT OFFER HIM MUCH COMFORT UNDER
THE CIRCUMSTANCES. FOR PAST SIX MONTHS WE HAD BEEN TALKING TO
HIMSELF AND OTHER TOP UAEG OFFICIALS TO IMPRESS UPON THEM SERIOUS-
NESS OF WORLD ECONOMIC CONDITIONS AND EVEN MORE CRITCAL CONDITIONS
WE ARE LIKELY TO FACE IN FUTURE IF PRESENT LEVEL OF OIL PRICES IS
MAINTAINED. WE COULD NOT NOW REGARD WITH PLEASURE FORMULA WHICH DOES
NOT EVEN HOLD LINE ON PRICES AND WHICH IN EFFECT TELLS US OUR ARGU-
MENTS HAVE BEEN BLITHELY DISREGARDED.

4. OTAIBA SAID THAT TO CONTRARY, HE SAW ABU DHABI FORMULA AS
BASICALLY RESPONSIBLE AND MODERATE RESPONSE TO PRESENT "MESSY" PRICE
SITUATION. HE NEVERTHELESS AGREED WITH MY COMPUTATION SHOWING THAT
ON WEIGHTED AVERAGE BARREL OF ABU DHABI ON-SHORE CRUDE
(40-40-20 SPLIT) GOVERNMENT TAKE HAD INCREASED BY
46 CENTS. HE SAID THIS WAS INTENDED TO COMPENSATE FOR INFLATION
ON IMPORTED GOODS. HE SAID USG SHOULD BEAR IN MIND THAT GULF
CONFERENCE FORMULA WOULD ESTABLISH STABLE PRICES FOR NINE MONTHS.
IN CONTRAST IRAN WAS PROPOSING THAT PRICES BE CONSTANTLY READJUSTED
UPWARD BY INFLATION FACTOR. OTAIBA SAID MOST IMPORTANT THING IN HIS
VIEW WAS TO ESTABLISH PRICE STABILITY OVER REASONABLE PERIOD OF TIME.

5. OTAIBA REPEATED FAMILIAR ARGUMENT THAT TAX AND ROYALTY INCREASES
COULD BE ABSORBED OUT OF COMPANY PROFITS AND THERE WAS NO REASON
WHY ABU DHABI ACTION WHOULD RESULT IN PRICE INCREASE AT GAS PUMP
"IF CONSUMER GOVERNMENTS ARE FIRM WITH COMPANIES". OTAIBA SAID
PRICE OF CRUDE WOULD NOW GO DOWN BY 38 CENTS ON BOTH BUYBACK
AND INDEPENDENT SALES (HE SAID AS RESULT OF HIS LATEST TRIP TO
SAUDI ARABIA HE AND YAMANI HAVE NOW AGREED THAT BOTH CATEGORIES
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABU DH 01663 271128Z

WILL BE AT 93 PERCENT OF POSTING). SURELY WE WOULD REGARD THIS AS
FAVORABLE DEVELOPMENT. I SAID ONLY TROUBLE WITH THIS ARGUMENT WAS
THAT HE WAS ONLY SPEAKING OF 60 PER CENT OF OIL. IN FACT PRACTICALLY
NO ONE HAD BEEN VOLUNTARILY BUYING AT 93 PERCENT OF POSTED PRICE
AND WORLD MARKET PRICE FOR OIL WAS OBVIOUSLY BASED ON BLEND OF
WHICH MUCH CHEAPER EQUITY OIL WAS MAJOR COMPONENT. COST OF
THIS OIL HAS NOW BEEN GREATLY INCREASED AND I HAD YET TO HEAR
PERSUASIVE CASE MADE THAT THIS WOULD NOT RESULT IN FURTHER RISE

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

IN PRICES. OTAIBA HAD NO REPLY.

6. OTAIBA THEN LAUNCHED INTO LONG JUSTIFICATION OF UAE'S CLOSE RELATONS WITH SAUDI ARABIA, GIST OF WHICH WAS THAT SHAIKH ZAYID IS SO RELIEVED TO HAVE BORDER PROBLEM RESOLVED THAT HE WANTS TO DO ANYTHING SAUDIS ASK OF HIM. KING FAISAL HAD MADE PERSONAL APPEAL TO HIM AT RABAT THAT SAUDIS AND UAE SHOULD PROCEED HAND-IN-HAND ON OIL MATTERS. THIS WAS NOW OVERRIDING CONSIDERATION IN UAE POLICY.

7. I ASKED OTAIBA ABOUT ALGERIAN PROPOSAL TO SHIFT VENUE OF NEXT OPEC MEETING TO ALGIERS. OTAIBA SAID THIS HAD NOT SOLD WITH OPEC MEMBERS AND MEETING WOULD BE HELD IN VIENNA ON DECEMBER 12. WHAT ABOUT ALGERIAN IDEA OF HAVING FONMINS JOIN TO PREPARE FOR OPEC SUMMIT? OTAIBA SAID THERE MIGHT BE GATHERING OF OAPEC MINISTERS IN ALGERIA NIGHT AFTER VIENNA MEETING BUT HE WAS
NOT ENTHUSIASTIC
ABOUT IDEA OF SUMMIT. IN HIS VIEW VERY CAREFUL PREPARATION SHOULD GO INTO SUMMIT MEETINGS, AND HE DID NOT CARE FOR SITUATION WHEREBY HEADS OF STATE MIGHT MAKE DECISIONS FOR WHICH THERE WOULD BE NO RECOURSE. I SAID FOR A MOMENT THERE HE SOUNDED JUST LIKE SECRETARY KISSINGER.

8. I ASKED HIM WHETHER FRENCH GOVERNMENT HAD APPROACHED UAEG ON ITS PROPOSAL FOR CONSUMER-PRODUCER-LDC CONFERENCE.
OTAIBA ACKNOWLEDGED IT HAD. ALTHOUGH UAE WAS NOT ON LIST OF MAIN PARTICIPANTS, FRENCH HOPED FOR UAE SUPPORT. OTAIBA SAID CAUTIOUSLY FRENCH PROPOSAL WAS "CLOSE TO OUR THINKING" AND THAT IT WAS BEING STUDIED. HE ASKED WHAT USG THOUGHT OF IT.
I SAID I HAD IMPRESSION WASHINGTON TOO WAS STUDYING PROPOSAL.

9. AT THIS POINT I HANDED OTAIBA TEXT OF SECRETARY SIMON'S SPEECH.
HE EXPRESSED APPRECIATION BUT MADE NO COMMENT ON ITS CONTENTS.

CONFIDENTIAL

CONFIDENTIAL

10. COMMENT: OIL COMPANIES HERE HAVE RECEIVED LETTER "INFORMING" THEM OF GULF CONFERENCE TAX AND ROYALTY INCREASE, AND WE ARE TOLD THAT BU DHABI EXECUTIVE COUNCIL HAS FORMALLY APPROVED THESE NEW RATES. COMPANIES BELIEVE, HOWEVER, THAT IMPLEMENTATION WILL IN FACT BE HELD UP UNTIL ABU DHABI SEES WHAT EMERGES AT OPEC MEETING. INCIDENTALLY THESE LETTERS, WRITTEN BEFORE OTAIBA TRIP TO
SAUDI ARABIA, SPECIFY 94.85 PERCENT OF POSTED PRICE AS BUY-BACK RATE. THIS WILL PRESUMABLY BE CHANGED TO 93 PERCENT IN ACCORDANCE WITH NEW OTAIBA-YAMANI AGREEMENT.
STERNER

CONFIDENTIAL

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

NNN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, PETROLEUM, POLICIES, FOREIGN POLICY POSITION, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 27 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ABUDH01663
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740344-0676
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741110/aaaaahmw.tel
Line Count: 164
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAR 2002 by worrelsw>; APPROVED <28 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UAE MINISTER OF PETROLEUM COMMENTS ON OIL SITUATION
TAGS: ENRG, TC, OPEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005